

“Profit is Not a Dirty Word”- How the Manager Keeps Cash Flowing and Value Growing

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Unless you are working for a non-profit organization and enjoy fundraising, the #1 responsibility of the manager or management team is creating a profit. While that statement may sound cold it is a reality many of us forget about. We get so caught up in the day to day operations we forget what our main objective is. Organizing staff, entertaining clients, maintaining the health of their pets, managing inventory, facilities, and the list goes on. How often do we talk to our staff about profit? In fact, I know of practices where the owners do not share financials with the manager let alone the support staff. We think of profits as a dirty word that is taboo at a staff meeting. I want us to change our mindset. Quite frankly, I want the hospital I work for to be extremely profitable. I know in profitable hospitals, the staff will be fairly compensated, benefits provided, equipment maintained, and a quality service and product produced for each and every client. Profitable hospitals will allow for growth and continue to challenge myself and other team members. We will see familiar clients returning year after year with their beloved pets. I certainly am not an advocate of cut-throat tactics that will possibly save us a spot on Donald Trump's next season of the Apprentice. But through established planning, goal setting, staff training and abundance of communication, we can modify our current clinic climate and can enter into predictable success that in turn shows a black number at the end of that glorious P & L.

Profits and financials can be a funny thing. Keep in mind numbers can be twisted and manipulated any and every which way to make them look as good or as bad in any one category as one would want. But at the end of the day, the business is either making money or it's not. In recent goal planning, we have established the goal of an additional \$250,000 of gross income for 2012. If I were to discuss with each of my team members that I want to see an additional quarter of a million dollars created in this lackluster economy, they would probably tell me “We'll see what we can do” with glazed over eyes. But if I am able to break it down that I need each one of my doctors to see one additional appointment per day, they all of the sudden will be ready to roll up their sleeves and goal plan with our management team on how we are going to obtain the financial goal.

It is up to the owner(s) and manager(s) to break down the financial goals to the associates and the support staff. The create user friendly terms and descriptions in how we will be successful in each our veterinary hospitals. Let me show you some examples of how to start to teach them about their role in the hospital and in turn will aid in your ability to produce profits.

We will spend some time examining the new client you and I both are seeing. We will learn how to overcome some of the obstacles and roadblocks this economy has created, and learn how to profit in each of our clinics during down times.

We are living in unique and interesting times. Many of us have a story or two to tell about how the economy has affected them or their businesses. The needs and wants of our clients are changing and we have to be ready for those changes or we will perish of a slow and agonizing business death. Tough economic times will change the patterns and behaviors of our clients. If we go back to the early 2000's and the bust of the dot com era. We had a hit to the national economy, more so to many that were living in the silicone valley area but the entire country felt it. Buying patterns and behaviors changed temporarily but the country quickly bounced back over 6-18 months. Because of the rapid bounce back, our clients went back to their old purchasing and spending patterns. Go forward 10 years and our country is in a major recession. One that has lasted 3 plus years and will continue to last for some time to come. The client of 3 or 4 years ago is not the same client as we are seeing today. It more important than ever to understand them and what it is they want or are willing to spend money on. There is no doubt in my mind that we have pet owners out there that are more than happy to spend their hard earned money on veterinary services and products. It is a matter of us understanding how to create and communicate the value and urgency in our recommendations. I will argue that client loyalty is at an all time low. We all have what I refer to as platinum clients in our veterinary clinics. These clients make up our top 5-10% of our clientele. These are the clients that you could slap in the face 4-5 times and they continue to smile at you and say “I Love You Man”! It is the other sub-set of clients that are sitting on a fence just waiting for your clinic to give them a reason to leave the practice and try somewhere else. And let's not be fooled. The majority of the clients that walk-in our doors are predominately women. When their pet needs are not met, they simply pay the bill and never return. We have to know if we are making the veterinary experience rewarding and valuable. If the value is not there, then they will silently walk out the door and never be seen again. This is a recipe for disaster and we have to create systems in our hospitals to avoid this.

As if we do not have enough to worry about, In my opinion, the amount of pet dollars spent in the United States over the next 3-5 years will remain mostly flat. My concern is we have more and more businesses vying for those stagnant dollars. Others that are offering products and services to your clients are stealing away dollars that you normally would count on. We have human pharmacies selling prescriptions for \$4, I was in a national chain grocery store the other day and they have created their own pet insurance, and I saw a commercial the other night for a pet toy line by Martha Stewart. Whoever would have thought we would be

competing for pet dollars with Martha Stewart. It is reality and it is only going to get worse. It is more important than ever to hold on to those clients and those pet dollars. You can see why it will be so important to keep tabs on the satisfaction of your client base and keep that brand polished and in line with the needs and wants of your consumer.

It has been said to excel in business you must master one of the following. Operational Excellence, Product Leadership, or Customer Intimacy. Let me give you a better sense of each of the three and I will let you come to your own conclusion of which one you think your veterinary clinic will master.

Operational Excellence are going to be companies that run an extremely tight ship on expenses and profit due to economy of scale. Walmart would be a company that comes to mind. Have you ever seen their vast and intricate “backrooms” where they keep their entire extra set of inventory? I apologize because it is a trick question. There is minimal square footage used as a “back area” or “staging area”. Walmart stores most of their excess inventory on semi-truck trailers. The next time you go shopping, pay attention to how many trailers are in back of the store. It is far cheaper storage and it allows transportation of excess goods regionally to all of its other stores. So if a location 45 miles up the road is in need of a product, it becomes very simple and easy. Oh, and the best part, they don’t lose out on a sale by the consumer. In addition, it uses almost all of its square footage for you and me to shop in. We might be able to lump some of our corporate veterinary hospital groups under this category but for the rest of us it is going to be hard pressed to compete in this category.

Product Leadership – Product Leadership is extremely easy to explain. It is creating products or services that a customer, client, or consumer never knew they wanted. We all are guilty of this. How many of us have an I-Phone or I-Pad. How many of us have an I-Phone 4S? How many of us 5 years ago said, “Gee, I wish someone would hurry up and invent the smart phone. Life is near unbearable without it.” I say that jokingly of course, but you get the point. Apple is a perfect example of Product Leadership. In fact, we just finished discussing branding. Did you know Apple has the most recognized brand in the world. And that brand is worth some 80 billion dollars. That’s right. Just the brand, that doesn’t include any other part of the company. Simply that apple with a bite taken out. I bet if I told you a brand could be worth that much money to begin with you all would spend a bit more time working on it. It becomes clear; most of us are not going to be inventing products or services for our clients on a routine basis. But you never know.

So that leaves us with our third and last category of Customer Intimacy. This is where the majority of our clinics will fall into. Customer Intimacy is the act of making each and every client that walks through our doors feel like they are the most important person in the world along with their pets. Whether we see 5 appointments in a day or 55, every client is made to feel like they are the only ones that exist. It is those special touches, that personalize the services and products we recommend to make the client feel like this was all done for them. We have to get away from the conveyor belt methods of doing business and running clients through like they are all the same. Our services cannot be seen like a commodity and a one size fits all categories. We have to tailor our visits to make the client and pet feel like everything done from nose to tail is for them and only them. You should be asking, how I can do this without taking an hour per patient? You should also be asking “How can I be profitable by taking so much time?” For the answer, let’s take a look at the Starbucks corporation. They practice Customer Intimacy everyday by allowing their customers to order their coffee any way they want. Can you guess how many versions of coffee there are at Starbucks? Over 60,000 combinations. So to be profitable while using customer intimacy as your mastering technique in business you have to develop efficient systems. Can you imagine trying to teach a new hire how to create over 60,000 different types of coffees. So one thing they do is a specific sequence in ordering. The next time you order your Skinny Grande Mocha you will notice they repeat your order back to you in a different series of order. In fact, they have actually created a brochure on how to correctly order your coffee. It becomes somewhat of a game. By having a system in place for ordering allows Starbucks to offer personalized orders in an efficient and profitable manner. Take a look at the drive thru at the Golden Arches. Again, an act of customer intimacy by getting to personalize your order for you and only you. Yet in order to maintain a profitable and efficient system they created ordering by numbers, electronic screens to verify correct orders, multiple ordering lanes, a pay window and a service window, and automated soda stations. All of this is just for you. You wonder where A&W went wrong.

When creating this customer intimacy it is important that our team is trained and on board. But more importantly, it is our leadership teams number one goal to make sure our systems in place are consistent. There is no sense in offering a service or product if we can’t do it time and time again. Let me pick on our front-end staff for a moment. One thing we do is offer to carry out large bags of pet food out to the car for the client. If you re-call client service was a large part of our branding at Meadow Hills. I love every time I hear our staff make the offer to our clients “May I carry that out to your car today”. But what will hurt us and get the client thinking we are slipping is if they come in 30 days later for another bag and they don’t get the same offer. When a client experiences an “Extra” they are going to expect it each time. And when it is not there, dissatisfaction is going to start to set in. So rule number one. Never implement a system for customer intimacy unless you know your team can perform it over and over consistently.

It becomes evident that customer intimacy becomes a necessity in our hospitals. We then relate the numbers back into this equation and work with our staff on creating a memorable experience that is efficient, consistent, and personalized to each one of our clients.